

**National Bank of the Republic of Macedonia**



**Strategic Plan  
of the National Bank of the Republic of Macedonia  
for the period 2016-2018**

May, 2015



Pursuant to Article 47, paragraph 1, item 9 of the Law on the National Bank of the Republic of Macedonia ("Official Gazette of the Republic of Macedonia" No. 158/10, 123/12 and 43/14), and Article 12 paragraph 6 of the Planning Regulation Reg.No. 02-15/VIII-2/2013 of 1 August 2013, the National Bank of the Republic of Macedonia Council adopted the following

## **Strategic Plan of the National Bank of the Republic of Macedonia for the period 2016-2018**

### **I. GENERAL PROVISIONS**

1. The Strategic Plan of the National Bank of the Republic of Macedonia (hereinafter: National Bank) is determined on the basis of the mission, the vision and the organizational values of the National Bank, according to the macroeconomic environment and key challenges for the coming period and contains the main strategic goals for the next three years.
2. The Strategic Plan is revised annually and constitutes the basis for development of the Operating Guidelines and the Plan of Activities as documents that underlie the annual programs for achievement of strategic goals.

### **II. MANDATE AND RESPONSIBILITIES**

3. The main objectives of the National Bank are set out in the Law on the National Bank, according to which the main objective of the National Bank is achieving and maintaining price stability. Another objective, subordinate to the main objective, is to contribute to maintaining a stable, competitive and market-oriented financial system, while the third objective is to support the general economic policy without jeopardizing the achievement of the main objective and in accordance with the principle of open market economy with free competition.

### **III. MISSION, VISION AND VALUES**

4. **The mission** arises from the statutory objectives and expresses the commitment of the National Bank to the maintaining of price stability through the implementation of the selected monetary strategy of maintaining a stable exchange rate of the denar against the euro. Also, the National Bank will continue to contribute to maintaining financial stability and increasing economic prosperity and living standards of citizens.
5. **The vision** of the National Bank is to be recognized as an independent, responsible, professional and transparent institution that enjoys high credibility and public confidence.
6. **The values** contribute to the achievement of the mission and support the vision of the National Bank, by strengthening the organizational culture, increasing the effectiveness of operations, regulating the mutual relations of employees, developing responsibility and awareness of working tasks and creating a positive environment that provides motivation and satisfaction among employees.

The National Bank will continue to nurture and maintain the following values:

Quality - achieving the goals and expectations of employees and of domestic and foreign legal entities and natural persons through continuous improvement of working standards in accordance with international best practices;

Integrity - ensuring consistency, accuracy and honesty in accomplishing the objectives and activities;

Loyalty - giving priority to the fulfillment of interests of the National Bank compared to the interests of individuals or groups, and commitment to the achievement of institution's mission, vision and strategic goals;

Transparency - ensuring timely and transparent information to employees and domestic and foreign legal entities and natural persons on decisions and measures of the National Bank;

Leadership - relying on healthy ambition, intellect and self-discipline built on mutual trust of employees;

Innovation - stimulating innovation, sustainable improvement and critical thinking;

Professionalism - sound assessments and high intellectual capacity;

Team spirit - providing synergy and culture of knowledge sharing and teamwork.

#### **IV. MACROECONOMIC ENVIRONMENT AND KEY CHALLENGES**

7. In the forthcoming period, the National Bank will employ all its capacity on achieving the legally prescribed objectives.

As in previous few years, the atmosphere in which the strategic objectives of the National Bank will be realized is based on expectations for post-crisis recovery of the global economy. However, still there are perceptions of uncertainty, vulnerability in certain segments and adverse risks, and therefore possibility of adverse twists. Namely, despite the gradual stabilization of the economic and financial flows globally, key challenge after the implemented fiscal and monetary measures is the economic recovery taking into account the vulnerability of the financial sector and public finances in a number of countries. This conclusion is particularly true for the euro area as our important economic partner, where the risks of prolonged slow economic growth and deflation, although reduced with the latest measures taken by the European Central Bank, however, remain in place. In the recent period, more pronounced are the risks associated with the prices of primary products, whose dynamics and expectations for their future path often change under the influence of the changes in economic, but also in geopolitical factors.

In the forthcoming period, low inflation and stability of the domestic currency will continue to be major feature of the domestic economy, taking into account the expectations for stable growth of the credit support and solid economic growth. In such circumstances, the main risks regarding the conduct of the monetary policy in the forthcoming period pertain to the uncertainty about future inflows of foreign capital into the domestic economy, which, in case of unfavorable movements, may impose a need for effective response through tightening of the monetary conditions. On the other hand, excess liquidity in the euro area and the low yields on the European financial markets could have a positive effect towards increasing the inflows of foreign capital into the domestic economy. Such movements will determine the adjustment of the operational setup of the monetary policy towards the effective withdrawal of any surplus liquidity.

Foreign reserves management will be in accordance with the domestic and international conditions, by respecting the principles of safety, liquidity and profitability. In this context, in order to provide an optimum balance between returns and risk of investment, it is planned to adjust the investment strategy towards increasing the investments in financial instruments and currencies with positive yields and more stable economic outlook.

The conduct of monetary policy in a highly open economy which is going through the process of structural reform is a relatively complex task. The dynamic external environment, the associated risks and their potential impact on the domestic economy impose the need for constant improvement of the analytical and research work, development of the process of modeling and forecasting and increase of the capacity for timely detection of potential risks, perception of future developments and changes in environment. Research will enable a better understanding of the transmission effects of monetary policy, monitoring of the

developments in the real economy and analysis of the microfinancial links, which is crucial for effective design and conduct of the monetary policy.

Having in mind the statutory objective of maintaining the stability of the banking and financial system, the activities for strengthening the banking supervision will continue. In the forthcoming period it is expected that the satisfactory capitalization and liquidity will remain the main strengths of the banking system in the country. A significant challenge is managing the problematic part of the banks' loan portfolios, as well as creating conditions for generating satisfactory and sustainable profitability. Also, following global trends, more attention will be paid to systemically relevant banks and the gradual adaptation to the new international banking standards and supervisory practices. The National Bank will continue to improve and deepen the analyses of the banking system, its stability and resilience to shocks, and the overall financial stability of the country.

In the forthcoming mid-term period the National Bank will continue to develop and promote financial recording and reporting, which will enable more efficient financial management, dynamic planning and monitoring of the balance sheet of the National Bank. Cost control, realization of the return on financial investments with the lowest risk of exposure and optimization of the income from regular operations, will be at the core of the efforts of the National Bank.

In the area of payment systems, a key challenge is the establishment of a system for cross-border payments in euros through the MIPS-system of the NBRM. The new payment infrastructure will increase the efficiency in the execution of payments abroad, which will bring benefits for the whole economy.

In the area of statistics, the post-crisis period was marked by increased awareness of the need for quality, detailed and timely macroeconomic statistics, and improved method of presentation of statistics to the general public. Hence the focus on the medium term will be in these segments. Also, given the commitment of the Republic of Macedonia for EU membership, the gradual achievement of the EU requirements in terms of coverage and quality of macroeconomic statistics remains to be the main challenge.

The attainment of the strategic goals requires active monitoring of trends in central banking, further strengthening of the institutional capacity and improvement and development of human resources. Permanent activities for timely recognition and effective management of operational risks will contribute to achieving better results and a greater willingness to face challenges in the future.

## **V. NATIONAL BANK'S STRATEGIC OBJECTIVES**

8. National Bank will be focused on achieving the mission and vision through the realization of the following strategic objectives:

### Strategic objective 1

- Maintaining price stability through a stable exchange rate of the denar against the euro.

### Strategic objective 2

- Maintaining a stable and reliable banking system as the main prerequisite for financial stability and sustainable economic growth of the country.

### Strategic objective 3

- Efficient management of the foreign reserves of the Republic of Macedonia relying on the optimal balance of the safety, liquidity and return on investment principles.

Strategic objective 4

- Supporting the development of domestic financial markets.

Strategic objective 5

- Increasing the efficiency of the system of supplying and processing of banknotes and coins and increasing the quality and functionality of currency in circulation.

Strategic objective 6

- Maintaining the highest degree of reliability, stability and efficiency of domestic payment systems and providing conditions for cross-border payment systems connectivity.

Strategic objective 7

- Development of the research activity in the areas that are crucial for the efficient attainment of the National Bank's objectives.

Strategic objective 8

- Providing quality statistical data, fully consistent with international and European statistical standards, taking into account the reporting burden and their effective, timely and easy dissemination to users.

Strategic objective 9

- Preparation of the National Bank for joining and membership in the European System of Central Banks.

Strategic objective 10

- Following the trends in central banking, strengthening the resilience to changes imposed by the environment, effective risk management in all segments of operations, improving the transparency and social responsibility of the institution.

**VI. TRANSITIONAL AND CLOSING PROVISIONS**

9. This Plan shall enter into force on the day of its adoption and shall apply from 1 January 2016.

10. With the commencement of the implementation of this Plan, the Strategic Plan of the National Bank of Macedonia SP.No. 02-15 / VI-1/2013 of 30 May 2013 shall cease to be effective.

**SP.No. \_\_\_\_\_**  
**7 May 2015**  
**Skopje**

**Dimitar Bogov**  
**Governor**  
**and Chairman**  
**of the National Bank of the Republic**  
**of Macedonia Council**